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SUBJECT: BLUE LANTERN END USE CHECKS UNRELIABLE IN GUATEMALA - 05-985279 AND 05-985856

REF: A. GUATEMALA 690

¶B. SECSTATE 09461
¶C. IIR 68389941

¶1. (SBU) EconOff attempted to conduct a pre-license end-use check on potential US munitions exports to private Guatemalan distributor, Poligonos S.A. Due to unreliable GOG counterparts, private sector practices that lack transparency, porous borders, and generally weak law enforcement, meaningful end-use checks cannot be done on sales to Guatemala. Guatemala is a violent country awash in legal and illegal firearms. The quantity of US origin firearms and munitions that enter Guatemala through legal channels is very small compared to the overall market. And while there is no apparent economic rationale for legally imported US weapons to enter the black market or regional arms trade, it is not currently feasible to evaluate compliance with US export end-use regulations (REF A). The existing legal framework, which includes licensing of all levels of arms and munitions distribution and use, is not adequately implemented and therefore applies only to the relatively small legal trade. End summary.

Failed GOG Regulatory Entities

¶2. (SBU) The Department of Arms and Munitions Control (DECAM), within the Ministry of Defense, has primary responsibility for regulating the import, export, distribution, ownership and carrying of firearms, munitions, and other types of weapons in non-military hands. The national police (PNC) and customs, share enforcement responsibility of these regulations. Due to the combination of a lack of resources, incompetence, corruption, and the sheer enormity of the task, DECAM recognizes that it only effectively regulates a small portion of the weapons in the country. IAPEDES, an NGO advocating arms control, estimates the number of guns outside of GOG security forces at over two million, of which less than 15% are registered in some form or other by DECAM. There are no reliable statistics on the extent of the illegal arms trade.

¶3. (SBU) DECAM has been implicated in numerous scandals over the years, from licensing gang members with arrest records to carry AK-47s, to running their own illegal arms distribution operations. Most gun dealers interviewed by EconOff claim to have experienced some level of extortion by DECAM officials in the past. Even a perfect regulatory body would rely on effective customs enforcement and border controls to regulate weapons import and export. Guatemalan borders are extremely porous and everything from chicken to people is routinely smuggled in and out of the country. Carolina Rca, Director

of the Tax and Customs Authority ha repeatedly admitted her own lack of control overcorrupt customs officials at formal ports of entry, and acknowledges the multitude of illicit crossing points along the country's various borders. The PNC is the third GOG agency with enforcement potential, but they also suffer from a lack of resources, training, and widespread corruption at the lower levels (REF B).

No Reliable Information

¶4. (SBU) Unfortunately, the failure of the country's regulatory agencies to control arms sales cannot be offset by reliable intelligece on arms movements. There is currently no civlian intelligence agency, and the discredited military intelligence organiation is generally in disarray. There has never been transparent civilian regulation of the arms sector. With such a murky history, it is difficult to have confidence in private sector agents who have their own interests in filtering the Embassy's understanding of local market conditions.

Blue Lantern on Poligonos S.A.

¶5. (SBU) EconOff visited Poligonos facilities and met with owners Jesus ARRIAZA and his son Juan Diego (REF C). The family run business - son Manolo Jesus ARRIAZA is also listed as an owner - has one store in a shopping mall in downtown Guatemala City. The location appears relatively secure in a larger shopping complex with security personnel. The owners claim to keep detailed lists of all customers and sales, although Post has no way to confirm the validity of these lists. The store is also known by its prior name, Safari Shooting, which according to Jesus Arriaza was Remington Arms' exclusive Guatemalan distributor from 1995 to 1999 when

their business was much bigger (he claimed it was the largest in Guatemala) with locations throughout the country. Arriaza described how they changed names after Safari Shooting was run out of business and had their licenses revoked by corrupt DECAM officials in October 1999. He alleged that DECAM officials, working with organized crime and angered by his refusal to pay bribes, revoked his licenses and illegally opened their own competing operations to replace his (he himself claimed to have started his business as the son of a General). Arriaza went on to discredit much of his competition in the sector, alleging corruption, dirty deals with the military, illegal re-export and a host of other sordid activities.

¶6. (SBU) Arriaza said he has since come to terms with new DECAM leadership and has been legally operating under the name Poligonos since July 2004. His stated intention is to retake his lost market share, justifying his large orders of munitions (his current operation does not appear large enough to move major quantities in retail sales). He says he does not currently supply other businesses but plans to re-enter that market as he expands operations. DECAM confirmed to the Embassy that Poligonos S.A. is a licensed firearms and munitions importer and distributor, but would not comment on Safari Shooting and the previously revoked license. Listed Guatemala City intermediary, Kabat, is unknown to Arriaza. Kabat appears to be a customs clearing service company located near Guatemala City's international airport.

Comment: End-Use Checks Simply Not Reliable

¶7. (SBU) Responsible GOG agencies admit their inability to adequately monitor or control the arms and munitions trade. Law enforcement is generally ineffective at supporting the regulators, and there are currently no intelligence services capable of monitoring the sector. Private sector actors invariably produce stacks of unverifiable, hand-written "evidence" of their own compliance, and spiral into a he-said-she-said slandering of their competitors' practices, leaving Post with no way of sorting out fact from fiction.

Against this backdrop, Post cannot verify local compliance
with USG export end-use regulations.
DERHAM